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(U) PRC-TAIWAN DIPLOMATIC COMPETITION IN  
SOUTH AMERICA

(S/NP/NC/OC) Summary

Bolivia's recent decision to switch recognition from Taipei to Beijing is an important victory for China in its efforts to isolate Taiwan diplomatically. The decision has sparked serious criticism from the Bolivian military, which is sympathetic to Taiwan, but should survive the change of administrations in La Paz following this month's presidential election. Chile, which has had relations with China for many years, is very critical of China's expression of sympathy for Bolivia's proposal that negotiations be conducted on the question of Bolivian access to the Pacific.

Despite these criticisms, the Bolivian decision is a big plus for Beijing's efforts to compete with Taipei in South America. Most likely it will encourage Uruguay to follow suit later this year--leaving Paraguay as the only South American state recognizing Taipei.

\* \* \* \* \*

(S/NP/NC/OC) Bolivia announced on July 9 that it was breaking relations with Taiwan and establishing diplomatic ties with the People's Republic of China. Taiwan had long feared such an eventuality; its resulting tentative behavior in offering Bolivia relatively limited economic aid may have inadvertently helped the PRC persuade President Siles to switch relations. Early this year, Beijing sent a commercial delegation to La Paz which received wide publicity and reportedly offered economic assistance.

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[redacted] But it refrained from offering significant financial assistance or economic credits.

(C) In the joint communique announcing the establishment of diplomatic relations, the Chinese expressed "sympathy" for Bolivia's call for a negotiated settlement to the longstanding dispute with Chile over access to the Pacific. This has heightened the Chilean irritation with China caused by party head Hu Yaobang's apparently critical remarks about President Pinochet in May and China's continued failure to agree to schedule reciprocal visits by Premier Zhao Ziyang and Pinochet.

(S/NP/NC/OC) Bolivia's decision most likely will intensify Taipei's considerable concern that Uruguay may do likewise.

(S/NP/NC/OC) Taipei, however, may try harder in Uruguay than it did in Bolivia to preserve diplomatic relations. The nonleftist Uruguayan press has favorably reported plans by Taipei to develop Uruguay's shrimp industry and increase purchases of its soy and rice.

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